Budget Address
2003-2004

presented by
Premier
Dennis Fentie

First Session of the Thirty–First
Yukon Legislative Assembly

Whitehorse Yukon
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CONTROLLING THE TRAJECTORY OF SPENDING

Mr. Speaker, Honourable Members, it is my privilege to table today the Government of Yukon's Capital and Operation and Maintenance Budget for the 2003-2004 fiscal year.

The Total Capital and Operation and Maintenance Budget for 2003-2004 is $550 million.

The Operation and Maintenance Budget totals $451.3 million of which $43.5 million is recoverable.

The Capital Budget totals $98.7 million of which $43 million is recoverable.

There are no tax increases.

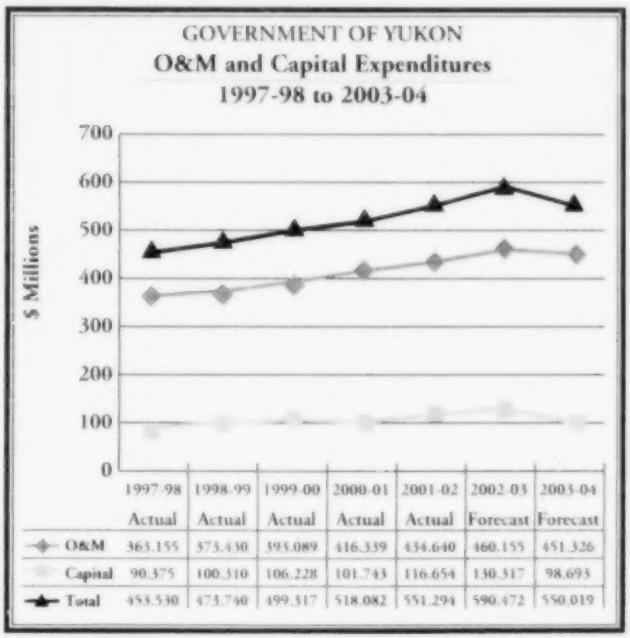
This budget represents a concerted effort towards lowering the Government of Yukon's trajectory of spending.

Maintaining the expenditure levels of previous budgets would have put the Government of Yukon in violation of the *Taxpayer Protection Act* causing another territorial election.

It is a simple fact that the growth in government spending cannot be sustained and with our government only having been elected on November 4, 2002, the prudent course of action is to exercise fiscal restraint.

Expenditures have been growing at a faster rate than revenues and formula grants by approximately $20 million annually.

These increases are largely due to rising health care and social program costs which take up about 32% of the government's total O&M expenditure.



	1997-98 Actual	1998-99 Actual	1999-00 Actual	2000-01 Actual	2001-02 Actual	2002-03 Forecast	2003-04 Forecast
O&M	363.155	373.430	393.089	416.339	434.640	460.155	451.326
Capital	90.375	100.310	106.228	101.743	116.654	130.317	98.693
Total	453.530	473.740	499.317	518.082	551.294	590.472	550.019

It should be noted that our government has achieved expenditure reductions in this budget without resorting to layoffs in the Public Service or the elimination of programs.

I wish to commend members of the Public Service as well as my cabinet and caucus colleagues for all the work they have done in the three months since taking office to accomplish this task. It was not an easy one nor is it over.

Curbing a government's trajectory of spending is akin to turning around a super tanker. It will take both time and effort.

It has been estimated that the Yukon's population has declined by 3,000 people in recent years and this decline in population impacts the growth in transfer payments from the Government of Canada.

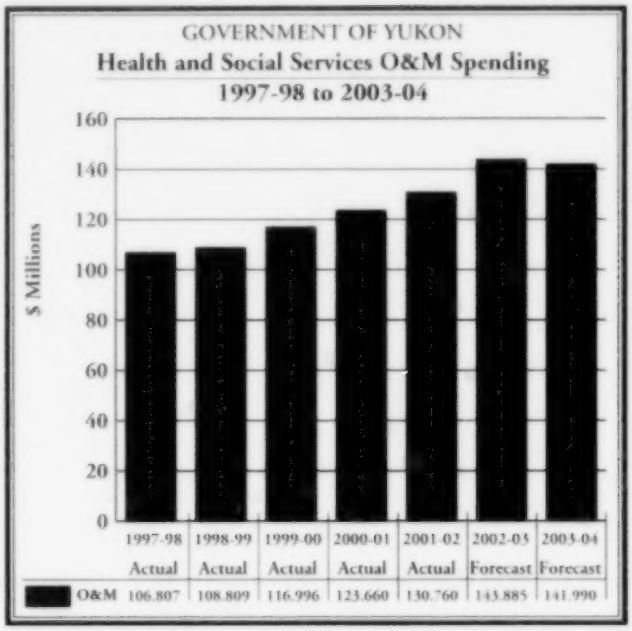
Our government has set aside a contingency reserve of $15 million to deal with this eventuality, however, it is too early to determine whether this reserve will be sufficient to meet this potential reduction.

At the same time that the territory is facing this potential reduction, our health care costs have been increasing at an annual rate of $7 to $10 million over the last few years.

Further, in 1995 the Government of Canada cut funding from our financing agreement which translates into a loss of $150 million that otherwise could have been directed to Yukon health care.

Under the current Canada Health and Social Transfer (CHST) that the Prime Minister and the Provincial Premiers have agreed to, the Yukon would not fully recoup annual increases in expenditures.

Mr. Speaker, the CHST is based on a per capita formula that just does not meet the needs of providing health care in the three northern territories where the transportation costs are high, the distances are vast and the populations are small.



For these reasons, Premier Kakfwi, Premier Okalik and I did not sign the Health Care Accord in Ottawa on February 5th, 2003. Two weeks later the three northern Premiers met with the Prime Minister who then agreed to establish a $60 million fund to be shared equally by the territories. This is in addition to our CHST Funding. Overall, the Yukon will be receiving approximately $10 - $12 million annually in increased health care funding. This funding will only cover our annual increase in health care costs unless we are able to control the increases in our health care expenditures. Additionally, the $60 million fund is time limited, so a more permanent funding solution must be found.

Mr. Speaker, reducing the current level of government spending in the territory affords our government the opportunity to be innovative in our thinking and to explore better ways of meeting our goals.

We must become wiser in how we spend our money and strive towards improving the effectiveness and efficiencies of our programs.

Moreover, Mr. Speaker, the solution to the Yukon's current dependence on government spending is obvious.

We must develop a healthy, robust private sector economy that will provide employment and generate additional revenues for the territory.

That is the challenge our government is committed to undertaking and achieving.

Recognizing our Potential - Yukon the Land of Opportunity

Mr. Speaker, we live in a land of boundless opportunity.

The Beringia era, First Nation occupation from time immemorial, the coming of Robert Campbell and the early traders, the advent of the gold rush stampeders and the construction of the Alaska Highway by American soldiers in 1942 have all contributed exciting chapters to the Yukon storybook of legends.

The Yukon is a land rich in human history. It is a land steeped in magic and mystery.

It is little wonder people from afar want to come to see the Yukon for themselves to experience our history, our distinct cultures and our pristine and beautiful landscape.

The Yukon is also a land rich in resources that have helped sustain our people for the last one hundred years.

The Yukon geological map is crossed by two parallel fault lines running northwest to southeast for hundreds of kilometres, the Shakwak Valley and the Tintina Trench.

The Tintina Trench is a Yukon treasure house of mineralization.

The gold fields of the Klondike, the lead, zinc, silver and copper deposits found near Faro, Ross River and Watson Lake are located within the Tintina Trench and now emeralds are being found.

Future major potential mines such as Kud Ze Kayha and Wolverine are located there.

The Yukon is also blessed with substantial oil and gas reserves located in the Eagle Plains basin, the Peel plateau, the Whitehorse trough and the Liard basin.

Until recently Yukon's natural gas resources were estimated to total about nine trillion cubic feet, an amount of gas equal to proven discoveries in the MacKenzie Delta and near shore waters of the Beaufort Sea.

This estimate had to be increased dramatically because of four new resource assessments by the Geological Survey of Canada.

The estimated natural gas potential of the Eagle Plains Basin alone has been revised from two trillion cubic feet upward to six trillion cubic feet - a threefold increase.

While forest activities have been developed over several decades, forestry is still a fledgling industry in the territory that has considerable undeveloped potential.

The highest volumes of merchantable timber are found in the southeast Yukon primarily in the Watson Lake area and in the extreme eastern portion of the Yukon along the Beaver and Labiche watersheds. Other productive forest can be found around the communities of Mayo, Dawson City, Teslin and Haines Junction.

High quality woods and value-added products are part of Yukon forest product appeal. Primary species harvested are lodgepole pine and white spruce.

Yukon's northern boreal forests produce a high-quality wood fibre that is well suited for a variety of wood products, such as furniture and window jams.

The Yukon has much to offer forest investors:

- Resource quality is world class and marketing opportunities to specialty product markets, both overseas and in Alaska are abundant.
- Stumpage and reforestation fees are highly competitive.
- The territory has an excellent transportation network, including access to tidewater port facilities at Skagway.
- Yukon First Nations manage large tracts of productive forest and economic partnerships with First Nations are well worth exploring.

At the same time as we are developing these natural resources, we should be looking to diversify the Yukon economy in other sectors.

Once again there are exciting opportunities for diversification.

Even within the tourism industry there are new niche markets that are prime targets for product development such as First Nation arts and culture, and wilderness tourism and learning. These opportunities are recognized in the newly released Tourism Marketing and Product Development Strategies.

Like tourism, the film industry attracts new dollars to the territory.

It is also a non-resource depleting, highly labour intensive industry and it has a high multiplier effect on our local economies.

The Yukon has what it takes to be competitive in pursuing the growth of the film industry in the territory.

The music industry and the arts and cultural industries already have a proven track record of success and offer tremendous potential for expansion and growth.

Agriculture, aquaculture, game farming, outfitting and trapping are established Yukon industries whose potential has only been partially realized.

Much more can be done to allow these industries to realize their true potential.

The Agriculture Branch, for example, just released a state of the industry report that showed the value of Yukon agricultural sales has increased from $3.2 million to $4.2 million and total farm capital has risen from $45 million to $50.2 million in just five years.

Information Technology is another growth sector that has tremendous potential and provides infrastructure needed to help diversify our economy. A final draft of the Information Technology Strategy was released in mid-January.

Whether Yukon's various diverse industries are old or new, they all have an important role to play in rebuilding the Yukon economy.

Rebuilding the Private Sector Economy is Job One

In view of our great potential, it is critical for our government to investigate why our economy is currently in decline and to take corrective action.

Rebuilding the private sector economy is job one for our government.

Tourism has become the territory's economic mainstay supplanting our resource-based industries. Our government believes that mining, oil and gas and forestry development together with tourism still offer the greatest potential to advance the general economic well being of Yukon and its residents over the long term.

While low commodity prices are one of the reasons why our traditional resource-based economy is not functioning properly today, the primary reason is because of government policies, regulations and legislation.

Unsettled land claims, a cumbersome, time consuming, Ottawa-based permitting regime and the implementation of policies such as the Protected Area Strategy at the territorial level and forestry and placer mining policies at the federal level have all served to impede our mining, forestry and oil & gas industries in the territory.

We know what industries need. They need access to resources, security of tenure, a common, timely, permitting regime, regulatory clarity, the provision of reasonably priced energy, communication and transportation infrastructure, a skilled workforce and above all cooperative governments.

Over the last few years, mining claims have been included within the boundaries of a park on four separate occasions. These actions have seriously eroded investor confidence in the territory. The industry has concerns about security of tenure and access to resources being restricted.

Similarly the forest industry has been denied long-term access to timber and there have been insufficient volumes of timber allocated to make the industry viable.

The oil & gas sector has been adversely affected by unsettled land claims. Also the debate over the construction of the Alaska Highway Natural Gas Pipeline versus the MacKenzie Valley Line has led to industry concern in northern Yukon about stranding the Yukon's oil and gas reserves in that region.

All of our industries including wilderness tourism have been adversely affected by regulatory regimes that, in some instances can threaten the very viability of the industry itself.

We know the problems that are impeding the growth of the private sector economy. The challenge facing our government is to find and implement the solutions.

Mr. Speaker, I would like to take a few moments to explain how our government is going to restore investor confidence in the territory and find solutions to meet resource industry needs.

Access to resources and security of tenure will be addressed by completing the unfinished business of settling land claims and by implementing the agreements of those First Nations that have settled. We will focus on the development of common permitting regimes for settlement and non-settlement land, the finalization of special management areas and land use planning exercises with First Nation governments.

The development of common permitting regimes will be achieved after April 1, 2003 through devolution and through the formalization of a government to government relationship with First Nations. Our government will examine the regulatory regimes of jurisdictions such as Manitoba, Quebec and Ontario that have been successful in attracting private sector investment.

Industry's need for regulatory clarity will be achieved by our commitment to conduct a "Red Tape Review" of our government policies, regulations and legislation.

The provision of reasonably priced infrastructure in relation to energy, communication and transportation will be challenges to be met by Yukon Energy Corporation, the Department of Energy, Mines and Resources and Department of Highways and Public Works.

The development of a skilled workforce will be achieved by working in partnership with Yukon First Nations, Yukon College, industry and other stakeholders. It should be recognized that the bulk of the Yukoners who have left the territory over the course of the last seven years are in the 25 to 34 age group, which is the prime labour force.

Mr. Speaker, the challenge facing our government is to produce a thriving, private sector economy so that these Yukoners with their young families can return to the territory and find gainful employment.

Completing and Implementing Land Claims

Mr. Speaker, a few days ago I stood in the Elijah Smith building to pay tribute marking the 30th anniversary of the presentation of the Yukon First Nations Land Claim, Together Today For Our Children Tomorrow, to the Government of Canada.

Today we still have some unfinished business to complete.

The Carcross/Tagish First Nation, the Kwanlin Dun First Nation, the Kluane First Nation and the White River First Nation are still engaged in the ratification process for their final agreements.

Their agreements were to be ratified by March 31, 2003, however, during my recent meeting with the Minister of Indian Affairs and Northern Development, the Honourable Robert Nault, he indicated that an extension to that deadline has been granted.

The Liard First Nation and the Kaska Dena Council of Ross River have not concluded their final agreements, however, once again Minister Nault has indicated that the Government of Canada is prepared to re-engage the Kaska Nation in land claim negotiations provided that the Kaska Nation's legal challenge of the Devolution Transfer Agreement is put in abeyance.

Our government has hired a negotiator, one of whose several tasks is to conclude an abeyance agreement with the Kaska Nation by May 13, 2003. We are currently addressing these Yukon issues impeding these settlements and will act as a facilitator between the Kaska and the Government of Canada to re-engage in land claim negotiations.

With respect to the four First Nations that have signed MOU's, our government has indicated that we are prepared to assist them with the ratification process in any way we can, should they request us to so do.

It is important to recognize that land claims settlements will not only enable First Nations to run their own affairs but these agreements will give First Nations governments the necessary capital to invest in the economic development of the Yukon. Land claims settlements mean millions of dollars will be spent here in the territory.

The challenge facing our government and the First Nations with land claims agreements is to make these settlements living, working agreements whose implementation will improve the well being of Yukon First Nation citizens and other Yukoners alike.

Since taking office on November 30, 2002, our government has met several times with the eight First Nations that have land claims agreements, namely, the Champagne Aishihik First Nation, the Nacho Nyak Dun, the Teslin Tlingit Council, the Vuntut Gwitchin, the Selkirk First Nation, the Trondek

Hwechen First Nation, Little Salmon Carmacks First Nation and the Ta'an Kwachan First Nation.

By partnering with First Nations we can together achieve the vision espoused by Elijah Smith and First Nations Leaders to work together today for all of our children tomorrow.

My government is committed to making this vision a reality for all Yukoners, not only by living up to the spirit and intent of the land claims agreements but also by establishing a full economic partnership and government to government relations with First Nations.

Building Team Yukon - Full Economic Partnership with First Nations

Mr. Speaker, our government is prepared to think outside of the land claims box by making First Nations full partners in the economic development of the territory whether or not they have achieved land claim agreements.

We call this approach building "Team Yukon". For the first time our First Nations are being invited to share both the burdens of the decision making process as well as share in the economic benefits resulting from these decisions, regarding responsible developments within their traditional territories.

Our government's objective is to develop a common "united front", investment climate that will make the Yukon a good place to invest in.

In order to implement this commitment, our government will be working collaboratively with individual First Nations in order to determine together which kind of economic structures best meet our mutual interests.

Our government and the Kaska governments have agreed to utilize an economic table, which was previously established to develop an economic partnership.

On January 31, 2003 our government signed a renewed Intergovernmental Relations Accord with the Vuntut Gwitchin First Nation to determine how our respective governments will work together to define shared priorities for North Yukon.

The construction of a winter road and a rock quarry proposal to help stabilize the riverbank near Old Crow are two such priorities.

Our government is also committed to ensuring that Air North, which is partially owned by the Vuntut Gwitchin, will receive its fair share of Yukon Government travel to help sustain its operations.

Both Air Canada and Air North must be treated fairly with respect to Yukon government travel.

On February 17, 2003 the Kwanlin Dun First Nation Government and our government, in keeping with the spirit of their land claims agreement, signed a political accord in the form of a Memorandum of Understanding for the corrections system including the future replacement of the Whitehorse Correctional Centre, with a process that is program driven rather than facility driven. We must offer corrections programming that provides opportunities for meaningful rehabilitation.

This agreement follows the earlier understanding between Yukon, Kwanlin Dun and Canada that guarantees the First Nation benefits from any Yukon government project with a capital cost in excess of $3 million.

This landmark accord will involve all First Nations in the development of Corrections and Justice Programs that will have a bearing on the type and design of the correctional facility to be constructed and of course will provide specific economic benefits to the Kwanlin Dun.

The Carcross/Tagish First Nations has also approached our government to engage in a planning exercise that will provide them with economic opportunities within their traditional territory.

We want to engage First Nations in a dialogue and partnership to encourage and promote economic development activities within their traditional territories and to share in the benefits resulting from these activities.

This "Team Yukon" approach to the economy will help provide the much-needed certainty that resource investors are seeking and give the Yukon an edge over other jurisdictions where there is no such collaboration.

Implementing and Improving Devolution

Mr. Speaker, on April 1, 2003, during this sitting, our government will be taking over the control and management of Crown land in the territory.

As well, this House will be asked to give passage to the Mirror Legislation that will enable our government to exercise its new legislative jurisdiction.

The *Quartz Mining Act*, the *Placer Mining Act*, the *Territorial Lands (Yukon) Act*, the *Waters Act* and the *Environmental Assessment Act* will enable our government to control and manage the territory's mineral, land, forest and water resources for the benefit of all Yukoners.

We are asking Honourable Members to give expeditious passage to the Mirror Legislation.

The major advantage in implementing devolution is that the decisions will be made here in Yukon rather than in Ottawa and consequently will be much more timely.

The investment community will see this as a positive development and devolution will help us restore investor confidence in the territory.

Devolution will allow our government to model our future permitting regimes on the best practises used in other jurisdictions that currently attract investment.

Devolution involves both the Devolution Transfer Agreement (DTA) and the new *Yukon Act*.

There are deficiencies in both the agreement and the legislation that need to be improved.

Our government is committed to addressing issues relating to the transfer of federal employees to the Government of Yukon. The federal employees will be important members of Team Yukon and we want them to feel welcome in their new positions to help make devolution work.

While we recognize that the DTA itself cannot be changed, our government will continue to urge the Government of Canada to fulfill its obligations under the agreement especially in relation to the issue of environmental liability and the reclamation of Type II mine sites.

The liability for reclaiming the Faro mine site alone is estimated to be a minimum of $200 million.

Currently, it is costing multi-millions of dollars annually just to maintain the Faro mine site without any reclamation work being done.

The Office of the Auditor General of Canada recently issued a report calling upon the Government of Canada to meet its obligations to reclaim mining sites across the north including those in the Yukon.

The multi-million dollar reclamation of the seven Type II mine sites in Yukon would be a tremendous economic benefit to the territory and create jobs for Yukoners for years to come.

Our government will be urging Canada to meet its environmental obligations and to provide maximum economic benefits to Yukoners while doing so.

During the course of our mandate, we will also be dealing with the deficiencies in the new *Yukon Act*.

These deficiencies include:

- the ability of the Minister of Indian Affairs and Northern Development to continue to give instructions to the Commissioner for the next ten years, which could eliminate or make ineffective the Yukon's cabinet form of government;
- the failure to recognize the Crown in Right of Yukon that would grant the ownership of land and resources to the territory; and
- the failure to recognize the Yukon's offshore boundaries in the Beaufort Sea.

Should our government be successful in obtaining a successful ruling from the Yukon Court of Appeal under the *Constitutional Questions Act* on the Crown issue, a case could be made to press the Government of Canada to amend the *Yukon Act* to grant the Yukon ownership of its land and resources and address other

issues.

The Yukon's northern offshore boundaries could be addressed at the same time through amendments to the schedules to the *Yukon Act*.

The resolution of these long outstanding devolution issues are of fundamental importance to the future of our territory, especially if oil & gas reserves are discovered in what should be recognized as the Yukon portion of the Beaufort Sea.

Achieving a Proper Balance between the Economy and the Environment

Mr. Speaker, achieving a proper balance between the economy and environment is of fundamental importance to restoring investor confidence in the territory and rebuilding our economy.

On January 28, 2003 our government announced that it was discontinuing the Yukon Protected Area Strategy, because it simply was not working.

Our platform commitment was to involve all Yukon partners and stakeholders in a process for the creation of protected areas.

The major failing of the previous YPAS process was that there was no agreement amongst stakeholders about how to proceed.

Part of the difficulty in establishing parks or protected areas is due to the fact that there were too many processes operating simultaneously to create parks in the territory.

The Wolf Lake area near Teslin, for example, was being proposed both as a national park under the federal *Parks Act* and as a territorial park under the Yukon Protected Area Strategy.

At the same time, parks were being created under land claims through Special Management Areas.

All of these parks were being created during a period of economic decline in the territory and there were serious conflicts with mining companies because their mining claims were being included within park boundaries.

Our government believes that the establishment of Special Management Areas under land claims should proceed first before another protected areas process is put in place.

While the establishment of Special Management Areas are proceeding, land use planning initiatives could be utilized to protect environmentally sensitive core areas outside of SMA's in regions where economic activities are pending or are being proposed.

Upon conclusion of the SMA Process and any subsequent planning initiatives, an assessment will need to be made to determine whether other special, environmentally sensitive areas should be protected and the process that should be used.

It should be noted that the Yukon has already exceeded the 12% level of protection that it had agreed to set aside in signing onto the strategy in 1992.

Once the Special Management Area Process has been completed the percentage of Yukon lands protected will be close to 20%, far exceeding any other jurisdiction in Canada.

Mr. Speaker, the lack of balance between the economy and environment has had a serious impact on our placer mining industry with the decision by the federal minister of the Department of Fisheries and Oceans to cancel the Yukon Placer Authorization.

The Department of Indian Affairs and Northern Development has estimated that the new water quality standards being imposed by DFO would force the closure of 56% of existing placer mining operations in the territory.

Our government will not allow this to happen.

The 1993 Yukon Placer Authorization has taken ten years to develop and has operated successfully for another decade.

Telling Yukon placer miners that they can no longer mine for gold is akin to telling prairie farmers that they can no longer grow wheat or the Prince Edward Islander that they can no longer plant potatoes.

I met with the Minister of Fisheries and Oceans, the Honourable Robert Thibault, in Ottawa on February 7, 2003.

I explained to him and his officials about the importance of placer mining to the territory, both in relation to our history and to our present and future economy.

I also explained to him that on April 1, 2003, our government rather than DIAND would be the manager of the land, water and resources in the territory.

Being at loggerheads with DFO is no way to start a cooperative relationship and the DFO Minister agreed.

Our government is committed to resolving the current impasse and will do whatever it takes to do so. The placer mining industry is of fundamental importance to the Yukon Territory.

On January 27, 2003, I met with the B.C. Minister of Energy and Mines, the Honourable Richard Neufeld, who pledged the support of the province in our struggle with the federal Department of Fisheries and Oceans.

The placer mining industry itself has done a tremendous job in educating the public about the issues that are at stake here.

I want to commend and thank all those Yukoners and others who have been writing to DFO expressing their support for the industry.

I also wish to commend Yukon First Nation governments for protesting the way the decision was made in clear breach of the federal government commitments in the Umbrella Final Agreement.

Yukon's Member of Parliament Larry Bagnell and Yukon's Senator Ione Christensen have been working hard to assist the industry and our government and I thank them for their efforts. I also want to thank the Leader of the Official Opposition and the Leader of the Third Party for their support.

Should there be no change in the DFO position, there may be need for a Yukon delegation to travel to Ottawa to state our case to members of parliament first hand.

Should this course of action be necessary, I will be inviting the Leader of the Official Opposition and the Leader of the Third Party to be part of the Yukon delegation.

Mr. Speaker, a united front is much stronger than a house divided and I am confident that on an issue of such importance all Members of the Legislature are prepared to speak with one voice.

Practicing Good Government

Mr. Speaker, our government has made a commitment to formalize a government to government relationship with First Nations based on mutual trust and respect. This is one of the highest priorities of our government.

I take this opportunity to recognize the accomplishments of eight First Nations and the Government of Yukon and the Government of Canada in achieving final and self-government Agreements, and I look forward to the day all lands claims in the territory will be settled.

Once all the claims are settled, Yukon First Nations will own 16,000 square miles of Yukon.

On Category "A" Lands, they will collectively own 10,000 square miles of both the surface and subsurface lands.

On Category "B" Lands, they will own 6,000 square miles of surface lands while the Government of Yukon will be responsible for the control and management of the subsurface.

The results of these agreements are that we will in the near future have fifteen governments with mirror jurisdictions operating throughout Yukon. Each of these governments will have legislative and regulatory authority in respect to many of the same matters. It is

incumbent upon this government to work collaboratively with First Nations on a government to government basis to create clarity and certainty for all Yukoners wherever possible.

First Nation law making authority extends to education, health, justice and social services. There may be many opportunities for a collaborative effort between our government and First Nations to provide services of a high standard to all Yukoners while respecting First Nations concerns and values. This discussion with First Nations may provide opportunities to reduce barriers and provide more cost-effective services to all citizens.

Cooperation and collaboration will be required to collectively manage settlement lands and public lands and develop complementary regimes that will attract economic investment to the territory.

By working together, we will do better.

Mr. Speaker, our government is committed to working collaboratively with our neighbouring jurisdictions as well.

Yukon and Alaska have had a long-standing and enduring friendship.

Many of the Klondike Gold Seekers ended up in Alaska and it was American soldiers who constructed the Alaska Highway in 1942.

The United States Government is still funding the upgrading of the North Alaska Highway through the Shakwak Project.

The majority of this construction work has been won by Yukon road builders who are recognized as being among the best in the world.

There is one year left in the Shakwak Project and our government will be soliciting the support of the State of Alaska to urge the Government of the United States for the continuation of this project.

The Port of Skagway and the White Pass & Yukon Route Railroad provide the territory with access to tidewater and we will be working with Skagway and White Pass to protect and preserve this access.

The State of Alaska is promoting the establishment of an International Joint Commission to conduct a feasibility study of constructing a railroad from Alaska through Yukon to connect with railroads in the south.

Our government is in full support of this initiative.

The Porcupine Caribou Herd does not recognize the international boundary and our government will work with the State of Alaska to protect the integrity of the herd and its habitat in keeping with the position of the Vuntut Gwitchin.

The construction of the Alaska Highway Natural Gas Pipeline is also of special interest both to Alaska and to Yukon where once again we can work in collaboration.

Alaskans and Yukoners have a long history of working together and this common bond will continue into the future.

Mr. Speaker, Yukon has had a similar relationship with our neighbour to the south, the Province of British Columbia.

In the Speech from the Throne on February 11, 2003, the Province of British Columbia announced that it would be seeking reconciliation with First Nations in negotiating workable, affordable treaties that will provide certainty, finality and equality.

The province also announced the creation of an Economic Measures Fund to help First Nations pursue new economic opportunities.

This fund and the new approach of the Government of British Columbia to First Nation relations will be of special importance to the Kaska Nation and this will assist our government in promoting economic opportunities in southeast Yukon.

Our government will work towards a joint strategy with the Government of British Columbia to promote responsible economic development in this resource rich area.

Mr. Speaker, our platform also commits our government to work collaboratively with the Government of the Northwest Territories and the Government of Nunavut.

As all Canadians are well aware, the three northern territories are adopting a common position with respect to federal funding for health care and by speaking with one voice we were finally heard in Ottawa.

In December 2002, the three territories sent a letter to the Prime Minister calling upon the Government of Canada to create a Pan-Northern Economic Development Agreement, another commitment outlined in our platform.

On January 8, 2003, Premier Kakfwi and I jointly called for Ottawa to reconsider the federal gun registry and conduct an audit of its effectiveness. The North has never supported the C-68 gun control registration. With implementation costs reaching a billion dollars, many Canadians in southern Canada are also now questioning the gun registration system.

Relations with the Government of the Northwest Territories in recent years have been somewhat strained primarily over the issue of competing pipeline routes to transport Alaskan gas to southern markets; the Alaska Highway Route versus the Over The-Top MacKenzie Valley Route.

When I met with Premier Kakfwi last December, we agreed that industry would decide which route would be selected and that our respective governments should work out reciprocal arrangements to train our residents for pipeline employment opportunities whichever route is ultimately selected.

At the present time, the most likely scenario is that a MacKenzie Valley pipeline to transport Canadian natural gas will be built within the next five years, whereas the construction of the Alaska Highway route to transport Alaskan natural gas is likely a decade away.

The concern of our government is that if the smaller MacKenzie Valley Line is built first, oil and gas discoveries in the Eagle Plains and the Peel Plateau Area could be stranded.

The construction of the MacKenzie line would eliminate the need to construct the Dempster lateral connecting with the Alaska Highway Natural Gas Pipeline.

It might then be more economical to construct a Dempster pipeline eastward to connect with the MacKenzie Valley Line.

These various pipeline scenarios show why it is so important for our government and the Government of the Northwest Territories to be allies rather than antagonists.

Mr. Speaker, it is important for our government to work closely with community governments and the Association of Yukon Communities because they are the closest level of government to the people we all serve.

We must ensure community and municipal governments receive equitable funding to meet community needs.

Our government has provided special financial assistance to the City of Whitehorse to host the 2007 Canada Winter Games and we will be doing everything in our power to help make these games a resounding success.

Mr. Speaker, the Yukon Legislative Assembly is the focal point of democracy in the Yukon.

All Members of this Assembly have an important role to play in representing their constituents, in debating issues and in determining the future of the territory.

Our government is committed to promoting a consensus building approach in the legislature where possible.

We recognize that there will always be policy differences and different positions on issues of importance to Yukoners.

Debate is healthy.

At the same time, Mr. Speaker, there are matters where there is common purpose and common resolve.

These are the areas where our government would like to work with Members of the Opposition Parties.

The establishment of an All-Party Standing Committee on Appointments to major government

boards and committees is one such example.

The creation of an all-party committee to make recommendations for FireSmart and Community Development Fund applications could be another.

We will also be seeking an all-party agreement on a Code of Conduct and Decorum for Members of this House.

We look forward to working with all Members of the House because we are all committed to serving the Yukon for the betterment of the territory and the constituents we represent.

Budget Highlights & Meeting our Commitments

Mr. Speaker, government departments have been working hard to implement our commitments and I would like to highlight some of them to show the progress that is being made.

Executive Council Office

Under the Executive Council Office, Intergovernmental Relations has prepared a Bilateral Accord between Yukon and the Northwest Territories and we plan to have a signing ceremony with Premier Kakfwi very soon.

Bilateral accords between Alaska-Yukon and B.C.-Yukon are also currently being prepared.

These accords are in keeping with our commitment to work collaboratively with our neighbours.

The Development Assessment Process Unit is preparing our government to meet its new environmental assessment responsibilities both under devolution and our land claims obligations in keeping with our commitments to implement the Devolution Transfer Agreement and the land claim settlements.

Our government promised to support the preservation and enhancement of Yukon's aboriginal languages.

In accordance with this commitment, the Aboriginal Language Services Agreement valued at $2.2 million has been extended for two years, allocated between fiscal years 2003-04 and 2004-05.

Yukon youth are our future and the Youth Directorate is focusing on providing equitable support for non-government organizations that work with our youth. This support includes determining core services and seeking assistance from all levels of government to share financial and in-kind support to provide stability for these organizations.

Mr. Speaker, I wish to advise the House that the Women's Directorate is no longer a branch included within the Executive Council Office.

We have honoured our commitment to Yukon women to reinstate the Women's Directorate to its former status prior to renewal. The Women's Directorate now reports to me directly as Premier and is intended to signal the importance our government places on listening to the voices of Yukon women.

Community Services

Mr. Speaker, we have met our commitment to reinstate the Community Development Fund and FireSmart to their original levels by providing a supplementary budget of $3.5 million for CDF and $1.5 million for FireSmart.

This funding was provided to put Yukoners to work this winter and the Department of Community Services has been working diligently with First Nation governments and community governments to fund projects that will create employment.

Under FireSmart, $1.2 million has already been allocated for 14 applications by First Nations and 13 applications by communities.

By the February 7, 2003 deadline, over $7 million in applications had been received for the $3.5 million Community Development Fund showing the high degree of interest in this program.

In keeping with our commitment and in consultation with stakeholders, Community Services is redesigning Project Yukon into the new Community Development Fund. This redesign should be completed by this spring.

We are also meeting our commitments to upgrade and construct community infrastructure.

Beaver Creek will be receiving a new fire truck valued at $225,000 while $1.2 million is proposed for Carcross sewage disposal.

Further, $500,000 has been allocated toward the Vuntut Gwitchin First Nation's riverbank stabilization project in Old Crow.

Community Services is also proceeding with our commitment to promote and implement practical, cost-effective "E-Government" initiatives.

As a consequence of devolution, Community Services is working towards integrating the Fire Marshall's Office and Emergency Measures with the Fire Management Program.

The sharing of support staff, training and certain job functions offers excellent opportunities to create efficiencies and improve services particularly in Yukon communities.

We are also fulfilling our commitment to support the bid to host the 2007 Canada Winter Games by the City of Whitehorse.

The Host Society for the games has been provided with $400,000 and there has been a $1 million capital contribution to the City of Whitehorse for Phase II of the Whitehorse Multiplex.

We are also examining the increased need for seniors and elders housing in the territory as the proportion of our population represented by older Yukoners continues to increase. We want to develop housing that meets the special needs of seniors and elders and allows them to remain in their home communities as long as possible.

Economic Development

Mr. Speaker, we are following through on our commitment to create a stand-alone Department of Economic Development.

As Honourable Members will see from the Budget, the department is still in the formative stages and I have assumed the responsibility for this portfolio, at least for the short term.

We have amended the previous departmental structure and responsibilities because of overlapping areas of responsibilities with the Department of Energy, Mines and Resources particularly in the resource sector.

We intend to consult with the Taking Action Committee, Chambers of Commerce, former employees of Economic Development now in other departments, as well as other stakeholders in defining what the new Department of Economic Development will look like and what its role will be.

Education

This government recognizes that a strong education system is needed to rebuild the economy. We will work to ensure our system is as effective and efficient as possible to support economic growth.

We also believe community based training is a priority and I am pleased to advise the House that the Community Training Fund totaling $1.5 million has been restored in fulfillment of our platform commitment. Communities can now do more training, which should increase the flow of funds to Yukon College. This increase in funding is in addition to the $12 million basic transfer payment.

The Community Training Fund can now be utilized to support emerging labour market initiatives such as literacy, oil and gas, pipelines, promoting women in trades, arts and cultural industries, technology, as well as for targeting employment related training.

The Department of Education continues with its new mathematics program to improve student achievement in grades 4, 5 and 6.

This program is in keeping with our platform to improve Yukon students' basic skills particularly in mathematics.

As well, the Department is planning to expand the First Nations Elders Project presently at the Carcross School, Teslin School and Johnson Elementary School in Watson Lake to include the Robert Service School in Dawson City and the Tantalus Carmacks School.

Our government has allocated $2.9 million for the

completion of the addition and heating system for the Eliza Van Bibber School in Pelly Crossing.

The addition involves increased classroom space, a new larger joint school-community library and a larger administration area.

A further $2 million is being allocated for school facility maintenance, air quality, renovations and paving for various schools.

Small construction projects in Watson Lake, Teslin, Golden Horn, Jack Hulland and Vanier schools will create local employment opportunities.

There will be a $605,000 investment in school information technology, distance education and video conferencing.

Education is key to Yukon's future prosperity.

Energy, Mines & Resources

Mr. Speaker, the Department of Energy, Mines and Resources together with the Department of Environment are going to be the major beneficiaries of devolution with the passage of the Mirror Legislation.

Energy, Mines and Resources will be responsible for managing and developing the Yukon's land based natural resources.

Devolution will result in local decision making and locally designed processes in collaboration with First Nation governments.

The department will be responsible for developing an efficient integrated resource management approach for the territory including implementing the commitments in the MINE Plan and working on a comprehensive Yukon Mineral Policy.

It will also be responsible for improving services for resource sector clients and securing local benefits from Yukon resource projects.

In order to promote mining in the territory, we are continuing the Yukon Mineral Exploration Tax Credit.

This refundable and personal income tax credit applies to expenditures incurred conducting off-mine site exploration in the territory.

Under the program, individuals and corporations can apply for a tax credit of up to 25% on eligible expenditures.

On April 1, 2003, the very successful ten-year old Yukon Geology Program is being transformed into the Yukon Geological Survey with the mandate to conduct research and disseminate information about Yukon's geology, geo chemistry and mineral resources.

In addition, Mr. Speaker, we are continuing the very popular Yukon Mining Incentive Program to promote mining exploration in the territory.

Energy, Mines & Resources is also hard at work developing a Forest Policy Framework to guide management of forestry and undertake policy work to prepare for the development of new forestry legislation.

In keeping with our commitments the department is planning to make timber available as soon as possible to restart Yukon's forest industry.

Currently, the department is implementing the five-year agricultural policy framework and transitional agreement with the federal government, which focuses on sector profitability and competitiveness.

Energy, Mines and Resources has an important role to play in ensuring Yukon natural gas will have access to pipelines via all routes including the MacKenzie Valley route.

The department is also charged with the responsibility for developing a clear and effective regulatory process for pipelines in Yukon.

In conjunction with the Department of Environment, Energy, Mines and Resources will be responsible for achieving a proper balance between economic development and the conservation of Yukon land.

Environment

Mr. Speaker, the Department of Environment has a major role to play in devolution and is working cooperatively with the Department of Energy, Mines and Resources to ensure a smooth transition in the permitting process after devolution. It will also play the key role in mitigating any environmental impacts resulting from responsible economic development.

Post April 1st the Department of Environment will be responsible for water resource management in the territory.

The Department of Environment already shares the responsibility with the Department of Health and Social Services in meeting our commitment to ensure safe drinking water in the territory.

The Department of Environment is currently implementing a number of our platform commitments: including protection for the Porcupine Caribou Herd; support for the Whitehorse Fishway and Hatchery in conjunction with the Yukon Energy Corporation; working with the Yukon Fish and Game Association on fish re-stocking programs; as well as expanding wildlife viewing opportunities for Yukoners and visitors alike.

Mr. Speaker, waste oil comprises the bulk of hazardous waste produced in the Yukon and we committed our government to promote the safe use and handling of this oil. In keeping with this commitment, the Department of Environment is implementing a pilot project to collect waste oil in five communities.

Finance

Mr. Speaker, the first thing Honourable Members will recognize about this budget is that we have reverted to the traditional budget format.

The government accountability plans have been removed and the traditional departmental statistical information has been reinstated.

In our view the traditional format for the budget documents provides better accountability and transparency than the format used for the 2002-2003 budget.

Government accountability is assured by the Honourable Members Opposite rather than by having departments expend considerable time, effort and expense stating how accountable they are.

Upon our government taking office, the first task the Department of Finance was charged with was to work with departments to establish a $5 million dollar fund out of potential lapses for our winter works program allocated between CDF and FireSmart and we wish to thank all the departments for making these funds available.

The Department of Finance has played a key role in curbing the trajectory of government spending without our government having to raise taxes or increase fees.

We made a commitment to exempt fuel consumed in equipment for the purpose of operating a sawmill and operating a golf course.

In order to meet that commitment we will be tabling the necessary revisions to the Fuel Oil Tax for passage during this sitting.

Health & Social Services

Mr. Speaker, I already have outlined the details of the Health Accord that the three territories have reached with the Prime Minister.

There are other funding arrangements the Department of Health and Social Services are pursuing. One such fund is the Primary Health Care Transition Fund.

This $4.5 million fund is to be spent over the next three years to promote public health, improve both primary and community based health care as well as strengthen structures functions and technology.

We are implementing our platform commitment to increase the Pioneer Utility Grant from $600 to $750 per year per eligible household and are indexing this increase against inflation in subsequent years by the cost of living. In addition, the eligibility for a widowed spouse of a spouse who was receiving the grant has been lowered from 60 years to 55 years of age.

Mr. Speaker, 33.4% of Yukoners over the age of 12 smoke and that is not healthy. The Canadian average for this same age group is 21.7%.

Health Canada is providing Yukon with $686,500 over three years to conduct a media campaign urging Yukoners to quit smoking.

Another major Yukon health care problem is alcohol and drug abuse and our government has reinstated Alcohol and Drug Services under the Social Services Branch to improve our ability to deal with these problems.

We are committed in our platform to deal with Fetal Alcohol Spectrum Disorder as a matter of top priority and the Department of Health & Social Services is meeting that challenge by working closely with the Fetal Alcohol Syndrome Society of Yukon and the Child Development Centre.

Continuing care for our elders and seniors is a priority for our government.

Unfortunately, there are major problems with continuing care facilities in Whitehorse and in many rural Yukon communities where no facilities exist.

The nine year old Thomson Centre has a leaking roof and other damage that must be repaired and the new Copper Ridge facility in the view of many was constructed too far from the hospital and downtown Whitehorse.

There is also a need for new seniors housing that must be addressed.

Our government did not create these problems but we must deal with them in a careful, considerate way in order to cause the least disruption to the lives of our seniors and elders and their families.

For these reasons, the seniors and elders in Macaulay Lodge will be remaining where they are while we endeavour to make the best use of the existing facilities.

We are also committed to ultimately providing health care facilities in Watson Lake and Dawson City.

Highways and Public Works

Mr. Speaker, the former Department of Infrastructure has been renamed as the Department of Highways and Public Works in recognition of the importance of highways to the Yukon and to provide the department with a more traditional title.

Our government believes that the provisions of transportation, communication and energy infrastructure are a government's responsibility and serve to support the foundation of the private sector economy.

Highways remain key to the development of our economy and in the new fiscal year $20 million will be spent on the Shakwak Project.

There will be an additional $2 million spent on Alaska Highway reconstruction between Mendenhall and Haines Junction with a further $1 million allocated for pavement rehabilitation.

Upgrading improvements will be made to the Campbell, Klondike, Tagish and Top of the World Highways.

The Teslin River Bridge will undergo rehabilitation at an estimated expenditure of $2.2 million.

Another $1 million will be spent on the Dawson City Airport Airside Improvement Project.

Justice

Mr. Speaker, the Department of Justice is going to play a key role over the course of our mandate.

The government to government agreement that was reached with the Kwanlin Dun First Nation government involving the Yukon's corrections system and ultimate replacement of the Whitehorse Correctional Centre will have a profound impact on how the Government of Yukon and the fourteen First Nation governments are going to collaborate to manage the justice system in the territory.

It is time for our government to stop warehousing our criminal justice problems and begin to deal with the issues which cause them.

The ultimate design of the facility will be influenced by the rehabilitative programs that the justice system provides.

I want to emphasize that this process we have embarked upon with Kwanlin Dun will involve all First Nation governments as well as other Yukoners.

I would also like to reassure the employees of the Whitehorse Correctional Centre that the Government of Yukon will continue to operate the new facility when it is constructed and the staff will be Yukon Government employees.

The Department of Justice will play an important role in all of these deliberations.

During the 2003-2004 fiscal year the Department of Justice will lead or share in the development of new innovative approaches to managing community justice projects and increasing public awareness about the government's efforts to address family violence and sexual assault issues in accordance with our commitments.

Public Service Commission

Mr. Speaker, the Public Service Commission is currently consulting with the Yukon Council on Disabilities to design initiatives to encourage the employment of people with disabilities throughout government to fulfill our platform commitment.

It is also undertaking a review of the Workplace Harassment Program to ensure effective, fair responses to complaints and support for a respectful workplace for employees.

We promised federal DIAND employees fair treatment in the devolution transfer as they become Yukon government employees and the Public Service Commission will be charged with meeting this responsibility.

The Commission is developing a joint training program with the Public Service Alliance of Canada (PSAC) for shop stewards and supervisor/managers, as part of a newly agreed upon grievance procedure.

Tourism and Culture

Mr. Speaker, I have saved the best for last.

Tourism is now the Yukon's leading industry.

We have met our commitment in this budget to reinstate a stand-alone department.

We are committed to increasing tourism revenues in the next three years by implementing the newly released Marketing and Product Development Strategies.

These strategies embrace new niche markets where travelers seek more independence, authenticity and cultural experience from their holiday.

The objectives for product development are to:

- ensure that the quality of Yukon tourism products exceeds the highest standards;
- increase year round destination tourism in each region;
- develop products to meet emerging and existing niche market demand.

To this end, this government and several local cultural and educational groups have partnered with the Canadian Tourism Commission to create the Northern Learning Tourism Product Club.

The key word in marketing tourism in the Yukon is "Partnership."

Strategic tourism marketing is ensuring our advertising dollars are being used to reach the right target markets. Under partnerships with companies such as General Motors and Fulda, government funds have been leveraged many times over resulting in more awareness of the Yukon as a travel destination.

We are also continuing with the Gateway Cities Program.

Yukon and Alaska have traditionally worked together in partnership to attract more visitors from the south and this strong relationship is continuing.

This government continues to support and value the Yukon Convention Bureau, industry and Yukon

communities to market Yukon as a year round convention destination.

We are working with the air industry to promote affordable and accessible international and domestic air access to the Yukon.

On February 13, 2003, we were pleased to learn that Thomas Cook, in conjunction with Condor, will return to Yukon again this summer with a direct charter service from Frankfurt, Germany.

We are working with industry, First Nations, Yukon College and the Yukon Tourism Education Council to develop standards for the hospitality industry and a skilled workforce.

We are working with First Nations to promote and market First Nation tourism and cultural products.

We are working with Yukon Museums to assist them in managing their operations and training and retaining experienced staff.

The Yukon, the Northwest Territories and Nunavut have already sent a letter to the federal government calling for a Pan-Northern Economic Agreement that would include a tourism component.

We will work with the City of Whitehorse and other stakeholders to preserve the downtown core, develop the waterfront, move the Roundhouse and extend the trolley line from the Argus properties to Schwatka Lake.

If we want our visitors to Stay Another Day, we must provide more things for them to see and do.

We have met our commitment to the Dawson City Arts Society by increasing its funding to $250,000 to support the society's worthy initiatives.

The Department of Tourism and Culture over the course of the next fiscal year will be examining and focusing its attention on three major initiatives: a Yukon Brand/Corporate Partner Destination Marketing Strategy, product development and a review of alternate tourism marketing models.

In conclusion, Mr. Speaker, the Speech from the Throne outlined the priorities of our government both now and in the future.

This 2003-2004 Budget is our first budget and will help lay the foundation for achieving our objectives as we work together for the common good.

We recognize that there are still many commitments that we must meet but those initiatives must await future budgets.

The 2003-2004 Budget sets out our game plan for rebuilding the Yukon economy, which the people of Yukon mandated us to do on November 4, 2002 and I commend it to all Members of the House for their consideration.

Mr. Speaker, our government is confident that by working together we can build a better future for all Yukoners.